Mr. E. Ikkanda Warriar.—So, am I to take it that the information is available if a search is made?

Mr. Sheik Abdul Qadir Sahib Bahadur.—I should think so.

Mr. E. Ikkanda Warriar.—Will the Hon'ble Member be pleased to place it before the Council?

Mr. Sheik Abdul Qadir Sahib Bahadur.— Yes, I shall.

Voting of Demands for Grants.—(*Contd.*)

Demand No. XIV.—Accounts and Finance—Rs 35,299.

President.—Then Demand No. XIV, 'Accounts and Finance'.

Mr. K. Krishna Pisharodi.—Sir, I rise to move for an allotment of Rs. 35,299 under 'XIV, Accounts and Finance' for 1104.

The only item on which any explanation may be necessary is 'Temporary Establishment'. The necessity for strengthening the office establishment has been felt very long, and it has been made clear in the speech of the Finance Member introducing the budget estimate. I do not want to repeat them here. I may state that it is proposed to strengthen the establishment by 6 hands—two for local audit and 4 for office work—and to convert the post of the Senior Auditor to that of a Superintendent. The provision under 'Temporary Establishment' also includes the Karkadagam pay of the Special Officer for Local Audit Manual, viz., Rs. 250.

I have no other remarks to offer. I request that the allotment may be passed.

Dr. A. R. Menon.—Will the Government be pleased to state whether some clerks in certain departments have not received their salary for the last two months?

Mr. K. Krishna Pisharodi.—Of course, I am not aware of any such cases in my Department.

Dr. A R. Menon.—This question ought to have been asked a little more earlier to the Secretary to the Diwan. Is there any in the Secretariat?

Mr. A. K. Vengu Ayyar.—I do not think there is any. If specific instances are given, I shall find out.

Mr. T. A. Ramachandra Ayyar.—Page 45 'Special Officer for Local Audit Manual'. It is not stated how long he is appointed.

Mr. K. Krishna Pisharodi.—He has been appointed for three months, that is to say the establisnment will be over by the end of this month if he finishes the work.

Mr. T. A. Ramachandra Ayyar.—'Extra cost for converting the post of the Senior Auditor to that of a Superintendent.' What is it?

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. K. Krishna Pisharodi.—With the sanctioned staff at present the Senior Auditor is to do the review work also. For that he becomes the Superintendent.

Mr. T. A. Ramachandra Ayyar.—One of the permanent auditors, is it not?

Mr. K. Krishna Pisharodi.—Yes.

Motion No. 1.

Mr. C. Barton Wright.—*To reduce the total allotment of Rs. 42,200 under "Demand No. XIV" by Re. 1.*

Mr. C. Barton Wright.—Loan to the Sitaram Spinning and Weaving Mills Ltd., Trichur. Will the Finance Member be pleased to inform this House what amount is due by the Sitaram Mills by way of arrears of interest and compound interest on the Block Loan of Rs. 3½ lakhs advanced to that concern?

Mr. K. Krishna Pisharodi.—Interest due up to the end of 1102 is Rs. 11,868. Interest for 1103 is Rs. 26,250. We have still to get on the last day of this year Rs. 38,118, as interest.

Mr. C. Barton Wright—How much the debt has been reduced from the time the loan was advanced? Has anything been paid by way of principal?

Mr. K. Krishna Pisharodi.—No principal has been paid.

Mr. C. Barton Wright.—Sir, I move that the allotment of Rs. 42,200 be reduced by one rupee. My object in doing this is to ask the Government to appoint a Committee of this House with a non-official majority to enquire into the real value of the assets of the Sitaram Mills Ltd., which are given as security for the Government loan.

A comparative study of their balance sheet with those of other Mills like the Buckingham Carnatic Mills shows that the reserve fund of the Sitaram is not adequate, and that the depreciation charges on Buildings, Machinery and Plant are not made on proper business lines.

As long as August last, I made a hypothetical balance sheet which is open to correction and I found that they have suffered a loss of 1,16,790 rupees. My figures are with the Finance Member. No depreciation has been shown since 1923. If the depreciation were to be provided for 1924 and 1925 the loss would amount to at least Rs. 2 lakhs more so that the actual result of the last three years' working would be well over Rs. 3 lakhs.

Taking a comparative statement of the Buckingham and the Sitaram Mills you can find:—

Buckingham.	*Rs.*	**Sitaram.**	*Rs.*
Buildings at cost	60,11,782	Buildings at cost	3,95,739
Depreciation at 43%	25,62,166	Depreciation at 4%	16,500
Machinery	1,54,20,096	Machinery and Plant	12,24,687
Depreciation at 75%	1,15,80,744	Depreciation at 1½%	18,261

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. Thomas Manjuran.—For how many years is this depreciation?

Mr. C. Barton Wright.—That I cannot say.

Mr. Thomas Manjuran.—Does it not make a difference?

Mr. C. Barton Wright.—We can look into that.

Now, do you mean to say that depreciation of 75% and 1½% is any comparison?

Dr. A. R. Menon.—That statement is not true.

Mr. C. Barton Wright.—Can you prove that?

Dr. A. R. Menon.—I shall prove that, it is not true.

Mr. C. Barton Wright.—Then, liabilities.

Buckingham.	*Rs.*	Sitaram.	*Rs.*
Capital reserve	9,06,900	Capital reserve	Nil
Reserve fund	17,00,000	Reserve fund	* 50,000
Dividend Equalisation fund	10,00,000	Dividend Equalisation fund	Nil
Fire and Accident Assurance fund	4,68,267	Fire and Accident Assurance fund	Nil
Benefit fund	8,91,259	Benefit fund	Nil
Officers' Retiring fund	5,44,772	Officers' Retiring fund	Nil
Officers' Provident fund	4,34,375	Officers' Provident fund	Nil
Work People's Gratuity fund	2,44,247	Work People's Gratuity fund	287
Subscribed Capital	1,10,50,900	Subscribed Capital	13,08,837
Profit net	9,36,603	Profit net	16,889

* In the subsequent year end, that is, 31st Karkadagam 1102, the whole amount is found to be written off towards payment of the interest on the Durbar Loan. Hence there does not exist any reserve at all.

Market Price quoted by Messrs. Huson Tod and Co., Madras.

Sitaram Spinning & Weaving Mills Ltd., Rs. 100 paid up Rs. 30—32.

The Buckingham Carnatic Co., Ltd Rs. 100 paid up Rs. 200-205.

Mr. Thomas Manjuran.—What is the paid up capital?

Mr. C. Barton Wright.—It is 12 lakhs and 94. Subscribed Capital is 19 lakhs.

Mr. Thomas Manjuran.—Sir, I rise to support the motion of Mr. Barton Wright, the Member for Planters. 13 lakhs paid up capital spent on depreciating machinery does not appear to be too much of a security for 4 lakhs of good Government money. I do not say it is bad security but only that it is not such an abundant one as to make us think that it is beyond suspicion. The subscribed capital is no doubt more than 16 lakhs. But it does not matter. We do not know what sort of people the subscribers are. Even otherwise the reserve

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liability is not very much. Then, elaborate machinery like this is bound to depreciate and that heavily. I am surprised to find that a responsible concern like this one makes provision only for 1½% depreciation every year. I have never heard such a thing. Of course I am no expert.

Mr. P. Krishna Menon.—Generally depreciation from machinery is 3 to 5%.

Mr. C. Barton Wright.—It is 10%. According to an expert, the late Mr. Gray, who was employed in that Mill, the life of a loom on fairly good treatment is 12 years, and those looms, I think, (I am speaking subject to correction) have been working for nearly 18 years. There has been no proper depreciation allowed for that, and there is no reserve fund. Sir, suppose that machinery breaks down, How are they going to replace it? And every year, I may tell you, the machinery is becoming worse and worse. That is what Mr. Gray told me.

As 3½ lakhs out of the public revenue is invested on this security, an independent enquiry to determine whether there is sufficient guarantee for the loan is imperative in the public interests.

Mr. Thomas Manjuran.— Now, to continue. In the case of machinery like this, we have been reading in the reports of various companies, etc., that machinery deteriorates rapidly especially when it is worked day and night, and I dare say the mills in question work day and night.

Mr. C. Barton Wright.—Yes, they work day and night.

Mr. Thomas Manjuran.—The machinery is incessantly working, and machinery like steam boilers, even though they are handled with the best care, would not remain for more than 7 or 8 years in good condition. That is very often the case. This depreciation of 1½% allowed here is far from satisfactory. Another test of the efficiency and the prosperity of a concern is its reserve fund. There are also the other funds generally intended to satisfy the claims of employees. I find the Hon'ble Member referring to all those items in terms of 'nil'. So that, I do not think it is extraordinary if there is some reason for suspecting the adequacy of our security. Besides, Rs. 16,000 of profit in a concern, for which the paid up capital is 13 lakhs, does not work out to anything very great at all. There is absolutely no reason why we should allow arrears to accumulate. Rather the Government should collect the whole thing at once or insist upon speedy payment both of interest and part capital immediately. I am all the more prompted to say this because I am a party who has invested some little money, which is all but lost, in the Tanneries. Let us not lose this money of 3½ lakhs, like the money spent on the Tanneries

LIBRARY ARCHIVES Kerala Legislative Assembly

and the Potteries. This one, the mills in question, is altogether a private concern. Let us have good security. In any case let that matter be investigated. Admittedly 13 lakhs is the paid up capital, and it is not more than four times the money that is due to us. If a proper survey is made now, we can see what are exactly their assets, and so, I would strongly support the Hon'ble Member for Planters in his request to get the matter investigated.

Dr. A. R. Menon.—Sir, I shall crave your indulgence and request respectfully that the 5 minutes time-limit may be extended to me because this is a very serious question. Before I enter into the subject, I may meet the arguments advanced by the two previous speakers. I wish to make a personal statement. I am a member of the Board of Directors in the Anantaram and Bros., the Managing Directors of the Sitaram Spinning and Weaving Mills. I do not hold a share in the Sitaram Company.

Now, in a matter like this, the opinion of a gentleman of the standing of Mr. Barton Wright must carry enormous weight in this House; and I am fully convinced that it is only from a sense of duty to the public, and also his sense of duty as a Member of this House, that the public fund of this State should have proper security, and, if he has any bona fide doubt about the security, it is his duty, without fear or favour, to come to this House. and present his case to this House, that he has come forward and presented his facts. I shall not question at all his motive. It is the highest of motives. And if I know anything of him, he would be the last person to do anything to ruin an industry like the Sitaram Mills.

Mr. C. Barton Wright.—I wanted to save public money.

Dr. A. R. Menon.—That is what I say. He would be the last man to throw stones at this Mill with any bad intention. Therefore, the House must give due weight to his representation. (*hear, hear*) and the House must also show some indulgence to me because I neither look a business man (*laughter*) nor am I a business man. I am more anxious that this doubt must be cleared because of all things in this world honour is the most important, and since I am associated with that Company, if that Company has done anything to throw dust into the public eye or in the eyes of the Government, I shall be the first person to support Mr. Barton Wright for having brought forward such a motion in this House. The House will bear with me when I read some figures. After all is said and done in the matter of business, all sort of speech-making won't do, and it is only the figures, and the comparative study of the industry, not only here, but in other parts of India and the world, (for this cotton trade is not confined to Cochin or to Madras or for the

LIBRARY ARCHIVES Kerala Legislative Assembly

matter of that India but all the world over) that we can understand the actual state of affairs. Now what is the charge before us? That is what we should consider. There are two charges brought forward. One is an amount of money was received by the Mill some time ago, and the Mill was not in a position to return the money as promised by them. Therefore, the subsequent consideration is, is the Mill in such a position that the Government should interfere and ask the Mill to deposit the amount? That is the first point. The second point was asked by my friend sitting in front of me that the Mill that has not been paying anything for the last three or four years must be in a very poor condition indeed, and that, therefore, we must investigate the reason why the Mill was not in a position to pay the dividend for the last 3 or 4 years. And I can prove to this House that the causes that led to the non-payment of the dividend for the last 3 or 4 years are those that operated all over the world by quoting figures and statistics and the history of the various Mills in India. This question, as I understand, is something more serious than any other, and we must be in a position to show that the Mill is not in a miserable condition but also to show our *bona fide* in the management of the Firm and our honesty of purpose and our integrity not only to the Government but also to the public, because Mills and businesses of this kind depend upon public support, and public support will only come as a result of public confidence. It was in Chingam 1099 that the loan of 3½ lakhs of rupees was given to the Sitaram Mills. That loan was given after the Building, Site, Plant and Machinery were valued by the then Chief Engineer, Mr. Krishnan Nayar. Now, the name of Mr. Krishnan Nayar is sufficient guarantee to this House as to how thorough will be the inspection, and how thorough will be the valuation of this Mill. In integrity, in honesty and in ability he is second to none. What does he say?

"Buildings total: Rs. 3,45,930.

Deduct for works yet to be done..	40,000
Do for depreciation..	7,324
Total deduction..	47,324"
Then Buildings less total deduction:	Rs. 2,98,606
Machinery less depreciation	4,36,120
Total for Buildings and Machinery	Rs. 7,34,726

According to the balance sheet of the Mill for the year ended 31st Karkadagam 1098, the book value of the "Buildings and

LIBRARY ARCHIVES Kerala Legislative Assembly

Machinery"after allowing for depreciation comes to Rs. 8,16,243.

Now, Mr. Krishnan Nayar's calculation is "Buildings less, deduction" Rs. 2,98,606. Then, Machinery less depreciation —mark you, less depreciation—that comes of a man who goes and inspects the Mill, a responsible man, Rs. 4,36,120. His valuation of"Buildings and Machinery" comes to Rs. 7,74,726 against the book valuation of Rs. 8,16,243. That is the calculation made by Mr. Krishnan Nayar— Government's accredited agent— Mr. Krishnan Nayar's valuation has not erred on the side of generosity. It is clear that he has only under-valued the buildings and machinery. It was on the security of a property worth about 8 lakhs of rupees, both according to the books of the Company and the valuation of the Government Expert, that a loan of 3½ lakhs of rupees was asked for, and the Government gave that loan. What was the loan asked for? The loan was asked for to purchase spindles to enable them to open a Spinning department. Now, whatever amount was collected by the Company was being made use of in some building or machinery, and it becomes additional security to the Government. For the year 1102, the total figure under "Land, Building and Machinery" comes to Rs. 15,07,096. On the basis of 2½ per cent for buildings and 5 per cent for machinery depreciation— not 10 per cent, I beg to correct you—the sum comes to Rs. 2,40,000. Thus after making adequate provision for depreciation, the present value of "Buildings and Machinery" can safely be taken to be equal to Rs. 12, 67,000. I now leave it to the House to say whether the Government is running any risk in having advanced 3½ lakhs to the Mills possessing unencumbered property in the shape of Land, Machinery and Buildings exceeding 12½ lakhs in value, considering that the original loan was advanced on a property worth 8 lakhs.

Now, this is the report of the Indian Tariff Board published in 1927, but appointed in 1926. The Members are (1) F. Noyce Esq., C. S. I., C. B. E., I. C. S (2)Rai Bahadur Pandit Hari Kishan Kaul C. S. I., C. I. E., and (3) N. S. Subba Rao, Esq., M. A, Bar-at-Law, Principal and Professor of Economics, Maharaja's College, Mysore. They say :"We attach as appendix VI a table prepared by Messrs. A. F. Fergusson and Co., which shows what the percentage of dividend would have been from 1917 onwards if it had been worked out on the original cost of land, buildings and machinery, and also what the annual amount of depreciation written off would have been if it had been calculated at 2½ per cent on buildings and 5 per cent on machinery respectively on the original cost".

President.—You have already exceeded more than 10 minutes.

LIBRARY ARCHIVES Kerala Legislative Assembly

Dr. A. R. Menon.—Then I won't be able to deal with it properly. You know the subject is so important, and also the fact that I have not wasted a minute unnecessarily. We are dealing with a Company which gives labour to 1,500 people, and it is the only industrial concern in the whole State.

Mr. A. K. Vengu Ayyar.—If the Member is so sure of the security why should we discuss it in the Council?

Dr. A. R. Menon.—Suppose I am given possession of your house. What is the objection? Now you want to investigate into the various aspects of a business concern. That means there is something wrong there. You are only in the position of a creditor. If I can show you that your fear is unnecessary and unfounded, then where is the necessity for an investigation? It is for the share-holders to appoint a Committee. You are only a creditor. Your only business is to see whether you have sufficient security. I am now going to prove that you have three times your necessary security. Your Chief Engineer, Mr. Aravindaksha Menon recommended 3 years ago 1½ lakhs of rupees on the same security.

Mr. A. K. Vengu Ayyar.—Is this House to hear all these things?

Dr. A. R. Menon.—Is this House to hear what the mover said? I did not raise this question. Of course the President may ask me to sit down, and I have to do it. But you allowed the Member to raise this question, this important question, this question affecting the life and means of so many people, and you cannot allow me the right to reply to clear your misconceptions and unfounded fears. This is a business proposition. These figures should not be given out. Once they are given out, no merchant would enter into a business contract with them, unless it is proved that they are not true.

Mr. A. K. Vengu Ayyar.—So also with the Co-operative Bank?

Dr. A. R. Menon.—Are you in a position to tell me what your relation is with the Co-operative Bank? These are all things which you should be very careful about, especially in such a place as this Council. I shall prove that your fears are unfounded. But I want some time.

Mr. E. Ikkanda Warriar.—May I know whether the Government at any time enquired into the question of sufficient solvency?

Mr. K. Krishna Pisharodi.—It was valued in 1925 and 1923.

Dr. A. R. Menon.—And Mr. Aravindaksha Menon recommended a loan?

Mr. K. Krishna Pisharodi.—In 1923 it was valued and

LIBRARY ARCHIVES Kerala Legislative Assembly

the valuation came, just as the Member said, to 7 and odd lakhs. Then a loan of 3½ lakhs was given. Of course the arrangement was that they should pay by the end of 1099 the capital and interest. In 1100 they requested an extension of time, and that was granted, and now they have been paying, in 1102 about 10,000, and they have been paying for the last 7 months, I think, about 7,000 rupees interest. All the balance amount due from them by the end of 1103 in the shape of interest is 38 thousand and odd.

Mr. C. A. Kunjunni Raja.—What was the result of the valuation of 1925?

Dr. A. R. Menon.—A further loan of 1½ lakhs was recommended.

The Mill is in a subsisting condition. The proposition was that the security taken by the Government was insufficient. I am here to prove that the security is doubly sufficient.

Mr. A. K. Vengu Ayyar.—The Government can ask for additional security at any time on the whole amount and interest at any time. No decision has been come to now.

Dr. A. R. Menon.—I am to prove that it is doubly sufficient. Is it not my duty to show that the statement is wrong? How can you make enquiry? I say, if you listen to these things, there is no need for an enquiry. I am giving reasons for it.

Mr. E. Ikkanda Warriar.—If the Government is prepared to make another enquiry and the Hon'ble Member for the Planters be satisfied, why should we carry on the discussion?

Mr. A. K. Vengu Ayyar.—The Government thinks the security is insufficient. Is it not the duty of the Government to set up an enquiry?

Dr. A. R. Menon.—How can you make an enquiry if you listen to these facts? What is the meaning of an inquiry when the Mill itself is in a stable position?

Mr. A. K. Vengu Ayyar.—The Government in the position of a creditor can either demand the amount and interest, or ask for additional security. (Yes, yes.)

President.—This is not the place for discussion upon that topic.

Dr. A. R. Menon.—I do not want to discuss. I shall just read a quotation and you can perceive what the other Governments are doing in this matter. Please listen to this. (*Read the quotation*). There the Government thinks of giving subsidy, and all that they have done is to make easy payment. You take 7½ per cent interest. You want an enquiry when the other Governments give subsidy. You stick to that one word "creditors." Subsidies are given to help the Mills. I admit

LIBRARY ARCHIVES, Kerala Legislative Assembly

the effect of the concession, and you allowed us to make the payment of interest to suit our convenience. This is all what you have done. Now from 1923 to 26 there was no dividend paid. What will you think? You will think that the Mill is not properly managed. I will show you that from 1923 to 26 no dividend is possible to be paid. What does it mean? That means the financial unstability of the Mill. I say it is not unstable. That will take time to prove.

President.—It is a matter for the Directors to prove.

Dr. A. R. Menon.—And it is for the share-holders to inquire into the working of the Mill.

Mr. A. K. Vengu Ayyar.—The Government is in a difficult position. The Government will surely see. The Government will not rush into matters and spoil them.

Dr. A. R. Menon.—I have an occasion to say that Government have rushed. I will prove. I suggest that you should not rush in a case of this matter when eminent authorities of the country ask the Government to give subsidies. You must listen to the facts. Understand the situation and act.

Mr. C. Barton Wright.—If the Government is going to enquire into the matter, I am quite satisfied. I don't press the motion.

Mr. A. K. Vengu Ayyar.—The Government is going to enquire.

(*The motion was with leave withdrawn.*)

President.—The question before the House is "Demand No. XIV.—Accounts and Finance—Rs.35,299" may be passed.

Demand carried.

Demand No. XV—Law and Justice—Rs. 1,56,703.

Mr. A. Sankara Menon.—I request the House to pass the Demand under "Law and Justice" Rs. 49,510. In doing so, I shall briefly refer to the variations between this budget and the budget for 1103. There is a reduction of Rs. 1,836 in the salary of the Government Advocate. This is due to the fact that the present incumbent is now drawing only the minimum salary. There was an allotment of Rs. 1,000 on account of the purchase of books for the Chief Court Library. The Chief Court thought that the allotment was not sufficient, and with that amount the library cannot be equipped with all the up-to-date books. A further allotment of Rs. 500 was, therefore, made, and so the amount stands at Rs. 1,500.

The Additional District Court at Trichur is to be continued for the whole of the next year, and, therefore, there is a further allotment of Rs. 5,000 and odd on that account over the budget of 1103.

Then there is provision made for the purchase of two typewriters and also to substitute chairs for wooden stools in the Magistrate's Court. I do not think that the other details call

LIBRARY ARCHIVES Kerala Legislative Assembly